



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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MEETING
RHODE ISLAND RENEWABLE ENERGY COORDINATING BOARD

February 25, 2013
1:00-2:30 p.m.
Department of Administration, 2nd Floor, Conference Room A
One Capitol Hill, Providence, RI 02908

AGENDA

WELCOME

The meeting was called to order by Commissioner Marion Gold at 1:00 PM. Commissioner Gold announced that she would be chairing today's meeting and that Allison Rogers would be serving as Director Richard Licht's designee for this meeting, due to a last minute conflict that had arisen for Director Licht.

Commissioner Gold introduced Representative Deb Ruggiero and asked her to share a few words. Representative Ruggiero expressed her original intention with creating the Renewable Energy Coordinating Board was to create more opportunities for renewable energy throughout the state. Representative Ruggiero shared that she was very happy to be present with everyone to listen to their thoughts on how to move Rhode Island forward in the clean energy economy.

Renewable Energy Coordinating Board (RECB) Members in Attendance:

Janet Coit, Director, Department of Environmental Management
Grover Fugate, Executive Director, Coastal Resources Management Council
Marion Gold, Commissioner, Office of Energy Resources
Allison Rogers, Director of Policy, Department of Administration on behalf of Chairman Richard Licht, Director of Administration
William (Bill) Parsons, Acting Director, Economic Development Corporation

Advisory Council Members in Attendance:

Bill Ferguson (TEC-RI), Bruce DiGennaro (Essex), Michelle Carpenter, Karina Lutz, Seth Handy, Robert Morton, Lawrence Dressler, Malcolm Spaulding, Frank Epps

Others in Attendance:

Representative Deb Ruggiero, Nick Ucci, Jerry Elmer, Stephan Wollenburg, George Sfinarolakis, Karen Bradbury, Alan Shoer, Linda George, Rachel Sholly, Charity

Pennock, Hannah Morini, Barry Wenskowicz, Danny Musher, Chris Kearns, Tim Faulkner

APPROVAL OF THE MINUTES

A motion was made to approve the December 19th meeting minutes. It was seconded by Allison Rogers and passed unanimously.

PUBLIC COMMENTS RECEIVED

No members of the public expressed their desire to comment.

PRESENTATION BY THE PUBLIC UTILITY COMMISSION – REGIONAL RENEWABLE ENERGY MARKET OUTLOOK (Continued from December 19th Meeting)

Commissioner Gold welcomed Nick Ucci back to the Board, to share the second half of his presentation from the December 19th meeting. Commissioner Gold shared her congratulations with Mr. Ucci, recognizing that he had just recently become a father. As the PUC's Principal Policy Analyst, Mr. Ucci serves as the Commission's point person for all regional and federal energy matters. Mr. Ucci's presentation will be available on the Secretary of State's website and/or will be available upon request.

Mr. Ucci opened his presentation by saying he would be providing a regional overview of renewable energy matters. He described the role of ISO-New England, which is based out of Holyoke in MA, as well as the impact that wholesale market reforms will have on intermittent resources across the region.

We have already seen a tightening of renewable supply, which has driven up renewable energy credit (REC) prices regionally. A couple years ago RECs were around \$15. In 2011, they doubled; in 2012, they doubled again; and they are currently around \$60, roughly speaking. Issues include the need to tighten supply due to delays in development, uncertainty about the tax credit, and financing questions. These mandates are increasing a percentage point and a half annually, so there is the pressure on the demand side and the supply side. Under the law, the PUC has to open up a docket to review the adequacy of renewable supply and to look at questions like whether there is adequate supply to meet Rhode Island's target increases for next year. At some point this year, the PUC will be opening up a docket, which will be open to the public.

Director Coit asked about the percentages that Mr. Ucci had described. Mr. Ucci mentioned that currently the state caps out at 16 percent in 2019, at which point the mandate for the Renewable Energy Standard (RES) flatlines.

Mr. Ucci mentioned that Massachusetts accounts for almost half of the region's energy needs. Rhode Island represents around 6-7% of New England's energy needs. Mr. Ucci shared year-old data from ISO-New England, which showed that with a passive demand response, the region would need about 20% to meet projected energy growth.

Executive Director Fugate mentioned that in his meetings with various states, he has seen that Maine has been bragging about 40% RECS. He asked Mr. Ucci for more information.

Mr. Ucci responded that Maine is an exporter of renewable energy. It is very easy for them to meet high targets because they have all the power and it is close to centers. The challenge is to build and pay for transmission of the energy, which they have an abundance of. Connecticut has recently been looking at a robust review of their energy policies, including renewable energy and energy efficiency. The definitions of renewable energy are all different across the states. Here in Rhode Island, it only refers to the facilities; we do not include energy efficiency (EE) in our definition.

Mr. Ucci described a slide on his powerpoint which shows the gigawatt hours under the existing mandates and how much energy would need to be generated to meet those targets in full. He then described the existing resources that are required to meet each state's mandates. In 2011 our total electric load in the region was around 138,000 gigawatt hours (or about 20%). The lesson here is if we were to all keep our targets the same, and not change them across the region, we have a lot of growing to do.

Executive Director Fugate asked for more information about that amount. Mr. Ucci described the shortage conditions and described the extension of Renewable Energy credits. Danny Musher, from the Office of Energy Resources, discussed the 31.8% on one of the slides, adding clarification about the Renewable Portfolio Standard (RPS) of other states.

Mr. Ucci continued to describe other states' efforts to reduce their targets and to include EE. Some of the states are looking at costs, looking at challenges in the market, and there therefore may be a period of small adjustments. Mr. Ucci, when discussing the Project Development Uncertainty slide, discussed how renewable energy can be integrated into the regional electric grid. Mr. Ucci discussed two offshore wind projects – Cape Wind and the Block Island Project – describing how wind is the dominant resource by far.

On the topic of Rhode Island's renewable energy mandates, Mr. Ucci noted that he nor the Commission advocates policies. If the RES mandate stays the way it is, Mr. Ucci noted to expected high cost that will be born by ratepayers. Even with certainty on the supply side (for example, through tax credits), Mr. Ucci noted how folks in the renewable energy industry know there is always a lag time between the start of a project and when the supply will become available. For National Grid to meet the 2011 RES requirement, ratepayers paid an estimated \$8.5 million to meet the standard.

Karina Lutz mentioned that when the RES was first made law in 2004, there was a lag of maybe a couple years where there weren't enough projects for National Grid to buy RECs. Ms. Lutz asked whether Mr. Ucci had data on how long it took for the demand to be met and for projects to start coming on line, so National Grid could start meeting the RES mandate.

Mr. Ucci discussed issues of competition, filings, trading periods, compliance payments, and much more. He noted that 2011 was a watershed year. Mr. Ucci noted that the APC is not a revenue generator and it serves as a mechanism to allow units to come into compliance.

Bruce DiGennaro noted that as the supply tightens, projects start showing up in the queue again. The message is still clear that even with these alternative compliance payments, we are far behind in terms of supply.

Mr. Ucci described potential challenges, such as what does it mean when renewable energy comes online into the system? He continued to describe how staff are trying to better understand price impacts, as well as the impact of storms on fuel supplies. He described how we have built 5 billion dollars worth of transmission in the last 10 years, in order to meet reliability needs. Rhode Island pays 6-7 percent of it. Mr. Ucci noted how the State Energy Plan will look at questions regarding transmission, reliability, and costs. Mr. Ucci noted that other areas to consider are the impact on ratepayers, wholesale transmission rates, energy costs, and the longterm contracting statute.

Commissioner Gold asked about incentives in place and for additional information about the impact of ISO-New England's financing for the transmission line. Mr. Ucci responded that this is an area that the state should keep its eye on. ISO has requirements set by NERC (North American Electric Reliability Council), which they believe are important to the reliability aspect of their mission. They look at what some would consider extreme cases as well as contingency plans.

Jerry Elmer discussed the importance of EE in this equation, thereby not only saving ratepayers the cost of the power, but also saving those transmission build-outs that Commissioner Gold was discussing earlier. Seth Handy noted that one of the benefits of the State Energy Plan is to think about this in the context of all energy sourcing – for example, thinking through aging generators and the question of the costs of replacing those generators or building new gas plants or nuclear facilities versus moving to renewable energy. Mr. Ucci noted that ISO launched a strategic planning initiative to address natural gas dependency.

Mr. Handy noted that we need to consider the costs within the context of the alternatives and that we need to address issues such as energy security. Mr. Ucci noted that when thinking through new renewable energy development, it is important for that planning to be partnered with considerations such as fuel reserves, fuel supply, and other variables.

For further information on the presentation, please see the powerpoint. Commissioner Gold thanked Mr. Ucci for his presentation and asked whether the Board had any further questions. She noted that renewable energy development does not happen in a vacuum and that other considerations such as energy security and energy assurance need to be taken into consideration.

Executive Director Fugate noted that in his State of the Union address, President Obama hinted that the Congress should move forward on a carbon tax and that, if they do not, he will get the agencies to cut down on carbon-based fuels. Executive Director Fugate asked whether the PUC's strategic planning looks at this potential.

Mr. Ucci that many studies run scenario analyses, including carbon taxation potentials. Director Coit asked about new technologies for storing energy. Mr. Ucci discussed market signals and resource development.

Bob Morton asked how the impact of costs will hit other regions. Mr. Ucci noted that a lot of other regions do not have these same renewable energy standards (such as the RES in Rhode Island or RPS in other New England States). Many other regions in the country are burning low-price coal and that pollution blows towards us here in New England. Other regions that have similar mandates are also facing the question which Mr. Ucci described throughout his presentation – how to move forward into a clean energy economy while ensuring such movement forward is done in the most cost-effective way possible.

UPDATE ON BLOCK ISLAND AND FEDERAL OFFSHORE WIND PROJECTS – OFFICE OF ENERGY RESOURCES AND COASTAL RESOURCES MANAGEMENT COUNCIL

To open up his presentation on the status of the Block Island and Federal Offshore Wind Projects, Executive Director Fugate shared two handouts with the Board and Advisory Council. These two handouts can be found on pages 42 and 73 here:

http://seagrant.gso.uri.edu/oceansamp/pdf/samp_crmc_revised/1100_NewPolicies.pdf

Executive Director Fugate described the joint permitting group, which includes both federal and state agencies, which reviews applications. There are a lot of crosslinks and feedback between the agencies regarding offshore wind permitting decisions. For example, the federal decisions are being received on the Marine Mammal Act, and that review is also occurring at the state level as well. Executive Director Fugate described the Ocean Special Area Management Plan (SAMP), the role of the Army Corps of Engineers and the Bureau of Ocean Energy Management (BOEM), and the role of other federal entities. He then described the second phase, which is the construction operation plan. This is when a developer comes in for site plan approval and their ability to meet requirements within the zones. Other topics covered include the National Environmental Policy Act (NEPA), as well as a description of other formal phases. Executive Director Fugate described how the Ocean SAMP weighted out items like marine fisheries when looking at potential sites in Rhode state waters in order to make a formal decision to designate an area as a renewable energy zone.

Commissioner Gold asked when the public hearing phase would be coming up and how long it would be. Executive Director Fugate responded that it would be occurring in late spring or early summer and the length is often dictated by the proponents and the objectors.

Executive Director Fugate described how an area off the coast of Rhode Island has been identified as the Area of Mutual Interest (AMI) for offshore wind development. This is an area that both Rhode Island and Massachusetts agreed was suitable for wind energy development. He then described how BOEM created a draft auction process and how BOEM is currently considering the state's request to include additional factors, such as economic development opportunities for the state, during their lease auction process for the federal offshore wind areas. When BOEM developed their regulations in 2007, they developed a carve-out for Rhode Island and Delaware in light of their preselected developers and they created a leasing method that called for the multifactor analysis, which would allow for greater state interest in the leasing process itself.

During the notice of the draft auction methodology, the state expressed concern about that leasing methodology. State leadership met with the BOEM staff to express their concern that the federal leasing process did not give enough weight to the state's interest. Governor Chafee then followed up with a letter to Tommy Boudreau at BOEM stating this concern as well. BOEM is still currently reviewing the draft auction lease process and will be following up with state leadership when they update the process. Executive Director Fugate also described how Google might potentially be putting in a transmission line up the Atlantic Coast; he described how Maine is developing a floating offshore wind production system; and he described how states such as Delaware, Florida, Maryland, New York, North Carolina, South Carolina, and Texas are looking at issuing offshore wind leases. Numerous states are also currently reviewing legislation related to offshore wind as well.

Commissioner Gold noted that the federal government has noted the need for our country to move forward with offshore wind development. There is a gap between those federal goals and how we are going to get there. Executive Director Fugate described that we must be able to move this new industry up to a certain scale. There are no offshore wind systems currently in the United States, so it is a chicken and an egg system. Until we get the systems actually up and running, we will not see the costs start to come down. The U.S. Department of Energy has noted that it is committed to look at cost reduction for offshore wind, and in order for that to happen, we have to get offshore wind systems installed. Executive Director Fugate noted that if the federal government starts to look at a carbon tax, this will put much more pressure on the renewable energy sector.

Ms. Lutz described ideas for cost reduction and noted the need to look at ratepayer impact. She noted how the lease auction is currently set up to allow the federal government to get the most amount of money for the water area, which is going to drive the costs up, which is a concern to Rhode Island. Executive Director Fugate noted that the state is concerned about the costs and that it is very important for the auction process to be updated to factor in the economic impact on Rhode Island. The state would like to make sure jobs related to the potential offshore windfarm are Rhode Island jobs.

ADJOURN

A motion was made to adjourn the meeting, which was seconded and passed unanimously. The meeting was adjourned at 2:30 PM.